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THE POSSIBILITIES OF COOPERATIVE MARKETING

Numbers 13 to 16 of a Series of Sixteen Radio Talks
Prepared by the Division of Cooperative Marketing
of the Federal Farm Board*

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This series of 16 radio talks on the possibilities of cooperative marketing was broadcast on successive Thursdays beginning June 5, and ending on September 18, 1930, over 79 radio stations cooperating with the United States Department of Agriculture and the Federal Farm Board. The first 12 talks have been mimeographed and distributed to all extension workers. These covered: (1) What is the agricultural problem, (2) what can farmers do to improve marketing, (3) what can cooperatives do to improve production, (4) principles followed by successful cooperative associations, (5) why some farmers' cooperatives have failed, (6) how to form a cooperative association, (7) responsibilities of cooperative members and directors, (8) services of large-scale cooperative sales agencies, (9) what cotton cooperatives have accomplished and the outlook for the future, (10) what tobacco cooperatives have accomplished and the outlook for the future, (11) what grain cooperatives have accomplished and the outlook for the future, and (12) what dairy cooperatives have accomplished and the outlook for the future. The subjects covered in this pamphlet are given in the table of contents above. This pamphlet completes the series.

*NOTE--Copies of these talks have been sent to all extension workers, to agricultural college editors, and to libraries of State agricultural colleges and of experiment stations.

No. 13. - What Fruit and Vegetable Cooperatives Have Accomplished
and the Outlook for the Future

Fruit and vegetable co-ops seem to be learning to co-operate.

Mr. Gardner tells me definite progress has been made in some sections toward bringing together competing co-ops. ----- Mr. K. B. Gardner, is in charge of the fruit and vegetables section of the co-op division of the Federal Farm Board.-----

He sees a big opportunity for farmers' associations which handle different kinds of stuff moving through the same trade outlets. By joint use of the same sales agency, he points out, a lot of unjustifiable waste can be eliminated. In fact, in several cases a joint sales agency arrangement for two or more co-ops has worked first-rate.

But that's getting ahead of the story. Let me first tell you what Mr. Gardner says about the other very definite, worth-while accomplishments of the individual fruit or vegetable co-ops.

As he reminds us, fruits and vegetables are perishables. When they are ready for market they must be moved promptly, if they are ever going to market at all. That means the co-op must handle them in an efficient way, but usually under high pressure.

Mr. Gardner says the co-op organizations early found that unless they had a uniformly graded product their selling plans fell by the wayside. That meant that highly efficient methods of grading and packing had to be adopted. Such methods are now an integral part of the successful fruit and vegetable association.

For example, the apple organizations of the Pacific Northwest have developed high standards for grading, sizing, and packing their apples. The California Fruit Exchange has become noted for the quality of its products packed under its well-known brands.

Building up a high morale among the members of the association, which results in packing fruits and vegetables in the best manner possible, has been made easier in most organizations by the work of a well-equipped field and inspection service. In the case of some commodities, departments of that type have been aided or supplanted by Federal and State inspection services. Successful managements realize that in any event only products packed in the best manner get the best prices on the market. Poorly prepared or off-quality stuff moves to market at a discount.

Proper preparation of the stuff for market is only one of the accomplishments of the successful fruit and vegetable co-ops. Mr. Gardner declares that the real business of the co-op is to sell the products of its members to the best advantage.

The California Fruit Growers' Exchange, which controls about 75 per cent of the citrus fruit in California, he says, is an outstanding example of a sales organization in the perishable field. That organization, which markets the fruit of over eleven thousand grower members, maintains a salaried sales representative in all the auction and principal private-sales markets of the United States and Canada.

Reports of the various sales agents are brought together in the Los Angeles office and market conditions summarized for the United States and Canada, so that car-lot movements and distribution of the fruit controlled by that organization are carried out in an orderly and efficient way. From the record of sales in the various markets the management is able to tell where the association's products can best be sold and at what price they should move.

A number of the more important fruit associations have also opened up outlets in foreign countries. The apple associations of the Northwest are moving quite a volume into Europe and are also opening up new markets in South America.

In that connection, Mr. Gardner points out that our leading co-ops have found that, generally speaking, they must protect their foreign customers and ship about the same proportion of the crop abroad, whether that crop is big or little. Instead of selling all the crop here at home in years of short crops and then expecting to dump the surplus abroad in years of big crops, the leading organizations have found it pays best to create steady customers in foreign markets by sending a proportionate share to them regardless of the size of the crop.

Fruit and vegetable co-ops have also entered into processing of perishables. The cold packing of fruit in the Pacific Northwest is an outstanding accomplishment along that line. The Fruit Growers Union of Wisconsin has engaged in the cold packing of red sour cherries and has now joined hands with the red sour-cherry growers of northern Michigan in handling part of their crop this way.

As Mr. Gardner suggests, however, processing is generally a highly technical matter. Before rushing into the processing business, growers' associations should get all possible information to be had from State and Federal departments.

But, with that caution, he points out that the development of quick-freezing methods has opened up a very promising field for the handling of perishables. At this time the surface has only been scratched. He expects that the next few years will bring some highly important changes in the marketing of fruit and vegetable products.

In many farm communities production credit plays an important part. In some of these communities, therefore, the important growers' organizations operate in conjunction with an agricultural credit corporation. Unless the co-op can render production credit service to its members, its activity is often very severely restricted.

The extension of credit to members calls not only for careful action by the management, but goes back of that to the careful selection of members to begin with.

The accomplishments of existing associations along all these lines we have mentioned have been such as to point the way to the successful operation of newer associations. The outstanding need in the fruit and vegetable field, Mr. Gardner insists, is a higher degree of cooperation. Growers of some commodities are already highly organized. About 55 per cent of the citrus fruit grown in this country is now handled by growers' co-ops. About 90 per cent of the English walnuts in California are handled by one organization. On the other hand, some of the vegetable products are hardly represented in the cooperative line-up.

As he sees it the joint use of a single sales agency by a number of vegetable or fruit growers' associations, the products of which pass through the hands of the same dealers, offers a big opportunity. Certain citrus and deciduous-fruit growers furnish a successful example of joint use of the same sales force. A salesman with a line of vegetables would be better able to keep in close touch with customers to the mutual advantage of the growers of the various commodities.

Competition between a number of cooperative associations handling the same commodity or commodities sold to the same members of the trade, Mr. Gardner declares, is not only an instance of the failure to cooperate, but, even more, it constitutes an unjustifiable waste.

No. 14. - What Livestock and Wool Cooperatives Have Accomplished
and the Outlook for the Future

Cooperatively speaking, we date things these days as either before or after the starting of the Farm Board.

Mr. H. H. Hulbert, of the cooperative marketing division of the Federal Farm Board, has outlined for us the before and after pictures of livestock and wool cooperatives.

Co-ops, it seems, had been trying to break into marketing at terminal points since back in 1890. In 1918 they finally broke into terminal marketing as a permanent thing, selling cattle, calves, hogs, and sheep on a commission basis and buying livestock on orders.

Last year, Mr. Hulbert says, the 29 cooperative commission agencies on terminal markets handled twelve to thirteen million animals worth \$335,000,000. Nor is that all co-ops have done. During the past few years there has been a trend toward the sale of livestock direct from farmers to packers without consignment through the terminal markets. The co-ops recognized the direct marketing trend. They tried to keep abreast of the times by organizing the National Order Buying Company, a part of the business of which was to move livestock from farm to packer. In 1924, sales of that company totaled \$685,000 and by 1929 sales had increased to a little shy of eleven million dollars.

That in a general way was the situation when the Federal Farm Board entered the picture. Taken altogether the co-ops had shown a remarkable growth and were doing a very considerable amount of business. But the separate associations were often competing with one another. True, 12 of the terminal agencies had federated into a rather loose trade association, but there was no close integration between the various sales agencies.

During the past year, however, the Federal Farm Board has been encouraging the organizations of all our livestock cooperatives into one national association, with the idea that policies regarding the marketing and sale of livestock can be better formulated by one national organization, than through a number of separate co-ops.

The National Livestock Marketing Association has been organized and incorporated and is now a going concern with 15 member co-op agencies, including 12 terminal associations and 3 direct sales agencies. Mr. Hulbert says that it is hoped that the balance of the co-op organizations will come into this national set-up, so that all the bargaining power the livestock associations can muster will be marshalled under one head.

One of the chief functions of the new National will be the granting of loans to feeders of cattle and sheep at reasonable rates of interest through a subsidiary corporation known as the National Feeder and Finance Corporation and regional credit corporations. Up to 80 per cent of the capital requirements of regional credit corporations will be supplied by the National Feeder and Finance Corporation, and the remaining 20 per cent will

be raised locally by individuals and various cooperative associations. The regionals will be formed in the areas covered by the Federal Intermediate Credit Banks and will discount the cattle paper through those banks.

You see, the five hundred million dollars of the Federal Farm Board would not be enough to finance agriculture by itself so these regional credit corporations are formed to get producers in a position to use the credit facilities and discounting privileges offered by Intermediate Credit Banks.

Besides looking after adequate financing through these subsidiary corporations the National Livestock Marketing Association has a research department to assemble information on the production, supply, and demand for livestock, the conditions in the meat trade, the probable trend of prices, and the like. That information will be used as a guide in making sales and production plans. The aim is to give the farmers' cooperative sales agencies on the selling side of the market just as much information as the packers and order buyers have on the buying side of the market when they go out to bid for livestock.

The National also has a free claims department to look after the filing of papers arising out of losses to co-op members due to cripples, deads, and overcharges in freight, and losses caused through delays in shipments. A transportation branch has representatives to appear in cases involving freight rates on members' livestock. Also a livestock and meat department will work with the National Livestock and Meat Board to stimulate the demand and use of meat. Those are some of the services co-op members will get through their new National.

Cooperative wool organizations were not strong, and handled only a small per cent of the total clip of the United States, until the organization of the National Wool Marketing Corporation last year. This year, the National Wool Marketing Corporation states that it will handle 125,000,000 pounds of wool out of an estimated total clip for the United States of about 328,000,000 pounds. That is, this year for the first time there will be concentrated into the hands of one selling organization between 30 and 40 per cent of all the wool and mohair produced in this country.

With this volume of wool under one head, Mr. Hulbert points out, the National Wool Marketing Corporation should be able to demonstrate by the end of its first year the value of centralized control of a large percentage of total wool production.

The wool National is composed of regional and State marketing associations. To become a member of it, a co-op must have control of at least 500,000 pounds of wool or mohair. In the fleece-wool States, where wool growing is not a major undertaking except in limited areas, regional wool marketing corporations have been organized which cover four or five States. In that way, the services and advantages of the National Wool Marketing Corporation have been made available to small-producing sections as well as large ones.

The National Wool Marketing Corporation, through its subsidiary corporation, known as the National Wool Credit Corporation, is in a position to make preshearing advances to growers to finance their shearing operations and to make loans on wool covered by warehouse receipts up to approximately 90 per cent of the market value of the wool.

So you see in a year's time, nation-wide organizations prepared to adequately finance growers, have been set up by cooperatives made up of livestock raisers and wool and mohair growers. Those two great farm industries, Mr. Hulbert points out, are well launched toward complete organization for more efficient and orderly marketing than ever before.

No. 15. - How Your Community Can Take Part in the Cooperative
Marketing Program

How can our community take part in the cooperative marketing program? I asked Dr. Bomberger that ----- Dr. Frank B. Bomberger, who is in charge of the organization work of the Federal Farm Board.

He suggested that the first thing to consider is what our local situation is. How can our local community be benefited by a co-op?

To get the answer to that question will take some sort of survey of the actual conditions. That survey may be a highly technical affair or it may be just a general review to see just what we have. There may already be co-ops which meet all the needs. Whether it is dairy, poultry, tobacco, potatoes, or livestock, the same is true. The survey may show the marketing needs of the farmers are pretty well taken care of.

Taken by and large, however, Dr. Bomberger says it will be the exception rather than the rule if our community is found to be fully equipped with cooperative marketing machinery.

A survey of the community, the stuff produced, and the methods of marketing it is very likely to bring to light a situation of which most of us may not be consciously aware.

I can hear some of you mumbling now, "How do you go about starting such a survey?"

That's easy. The machinery is already at hand. For example some of the farm organizations, including the county agents and the extension specialists, are naturally interested in and acquainted with the situation.

But let's assume we have been led to induce the extension forces to make a preliminary survey.

The next thing, Dr. Bomberger advises, is to effect some sort of temporary organization or more formal organization to take the findings from the preliminary survey under consideration.

And right there, he reminds us, we've got to take into consideration not only our own community situation, but also the needs of adjoining communities. These days no farm product can be marketed strictly on a community basis. We have to think in terms of our whole region, which produces the same sort of stuff. For some products a region might include several counties or even several States.

Dr. Bomberger declares that is one of the finest influences of the whole cooperative-marketing movement. It has destroyed the narrow insularity of our local community by tying us up with other communities beyond our old horizon. It has broadened our economic and social outlook.

A detailed survey may be undertaken by some of the existing farm organizations, which usually have a very intelligent interest in the economic situation of the farmers. But even in lack of such an organization there is no reason our informal temporary committee should not give serious consideration as to whether a co-op is needed or advisable, and, if so, just what type of organization will best fit the special circumstances in our case.

Dr. Bomberger warns us in discussing the prospects to remember the principles which have been followed by successful co-ops in our line and in other lines of farming.

For example, we want to investigate whether there is likely to be big enough volume of the product in our community to make an organization worth while.

Then there is the question of whether the existing methods of handling are efficient and economical. The real test of a cooperative marketing association is whether it can attend to the marketing more efficiently than can the private organization.

Assuming that the study of the results of the survey indicate the desirability of forming a co-op, the effort then becomes very definitely an organization program. That is, we have to consider how the other producers handling the same crop we do can be led to recognize the need and the value of supporting the movement by joining the organization. There are no set rules for doing that.

Often the community program will logically become part of the regional cooperative program. In that case, our community would adapt its methods so as to fit into the larger, regional program.

Often, however, there is no larger regional unit. In that case, Dr. Bomberger suggests that our community organization may become the nucleus around which other similar units can be formed.

A co-op movement can be made to spread from our enthusiastic center to surrounding territory.

That's not a mere dream either. A large number of our big national and regional co-ops have reached their present growth by the gradual enlargement from small local units. As the local reached the limits of its effectiveness on an individual, isolated basis it was found desirable to federate more and more into larger and larger units.

Now that history of the development of co-ops in this country seems to impress on our minds two very important facts.

The two important things to keep in mind when considering the organization of a cooperative association are;

First, we need to consider the strictly local community conditions as such.

Second, we need to bear in mind the regional or national aspects of the problem.

Dr. Bomberger says quite seriously that the effectiveness of our Federal Farm Board is largely dependent on the effort that is being made to bring about the grouping of local co-ops into regional and national cooperative sales agencies.

So you see where our local co-op problem ties right in with the problem as a whole. When I took this matter up with this organization specialist, I had that far-away feeling. The Federal Farm Board seemed a thing apart. I asked how our community could take part in the cooperative marketing program, but I could hardly see just where it would fit in.

But I think that now we can all see, as Dr. Bomberger points out, that a consideration of our local community market needs brings us to a visualization of our great cooperative marketing program which centers in the agricultural marketing act. That law contemplates that, sooner or later, there shall be brought into existence a national system of producer-owned and producer-controlled cooperative marketing agencies for the handling of the agricultural commodities of America.

No. 16. - Summary of the Federal Farm Board's Cooperative
Marketing Program

I asked Mr. A. W. McKay, chief of the cooperative marketing division of the Federal Farm Board, to sum up for us the co-op program of the Farm Board.

As you recall, in talking over the possibilities of cooperation we have had cited to us a number of examples of what farmers have done in the way of organization. We have heard what cotton, tobacco, grain, dairy farmers, fruit and vegetable producers, and livestock and wool growers have already accomplished.

The development has varied with the different farm products. In most cases, however, we have struggled forward toward more complete organization. First, the little locals. Then the larger regional associations. Now the big nationals.

In the tremendous development of the past year in some lines, we have glimpsed the helping hand of the Federal Farm Board. Mr. McKay, however, makes clear the entire cooperative marketing program of the board, which we have heretofore had in fragments.

In the first place, he points out that the law which created the Federal Farm Board laid down the foundation for the board's co-op program. That act instructed the board to encourage the organization of producers into effective associations or corporations under their own control.

Get that. The organizations are to be farmers' organizations; owned by farmers, and controlled by farmers.

The job of the Farm Board is to "encourage" the farmers to get together in a way to market their stuff most effectively. That evidently isn't taken by the board to mean just standing on the side lines and cheering for cooperation.

The Farm Board starts its cooperative marketing program by cooperating with the farmers. Its men actually get out and work with the farmers' association leaders in helping devise plans and set up farmer-owned and farmer-controlled co-ops based on sound knowledge and successful experience.

We have a few cooperative associations now active in this country, that are more than 60 years old, Mr. McKay tells me. We have several thousand that have been in the business for 15 or 20 years. There have been trials and errors. There have also been successes and substantial growth. Much has been learned about how failures can be avoided and success made more certain.

One of the first things the Federal Farm Board did was to take over the body of experts, of whom Mr. McKay is chief. Those men had been making a special study of farmers' co-ops for years, in the United States Department of Agriculture. Other market specialists with long experience in the workings and needs of farmers' associations were added. The services of these

experts were made available to farmers' associations in devising a more efficient market set-up.

One of the most glaring faults of cooperation in this country was that many farmers' associations were competing with other farmers' associations in the market. In its program the Federal Farm Board has lent its assistance to the formation of regional and national associations, so that all the co-ops handling the same kind of stuff would all be tied up together for more efficient selling as one organization.

With its help, in a little over a year, seven big nation-wide associations of farmer-owned and farmer-controlled cooperatives have been set up. Country elevator associations and terminal commission co-ops and state-wide wheat marketing organizations got together through their representatives and formed the National Grain Corporation. Local and regional wool growers located in the principal producing areas of the United States, including the fleece-wool States of the East as well as the big-range wool growers of the West, were encouraged to set up the National Wool Marketing Corporation. State and regional cotton-marketing associations formed a central American Cotton Cooperative Association. Various livestock sales agencies located at terminal markets throughout the United States and regional and State marketing associations joined hands to form the National Livestock Marketing Association.

Bean growers, pecan growers, and sugar beet growers through their cooperatives have also entered this "cooperation of cooperatives" scheme of things by setting up the National Bean Marketing Association, National Pecan Marketing Association, and the National Sugar Beet Growers' Association.

You know the old saying, "Well begun is half done." The Farm Board experts have helped the growers' representatives take great care that these organizations be on a sound business basis. The framework has been set up around which growers of these different commodities can build themselves into a stronger market position. These big national organizations are all farmer-owned and farmer-controlled.

Other similar national cooperatives formed by regional and local cooperatives in other farm commodities are expected to be formed later. This is a comprehensive long-time program to completely organize the farming industry in this country.

But, as Mr. McKay explains, the Federal Farm Board hasn't confined itself to helping set up cooperatives. True, to start a new thing, or start something as new to most farmers as the modern marketing end of our own business, we need the encouragement of the help of those who do know. There is another kind of encouragement we need. The courage which comes from having ready money handy; from being able to meet our obligations.

Congress through the agricultural marketing act, has authorized the Federal Farm Board to make loans to cooperative marketing associations. The Board has done that, and is doing it. Cooperatives handling apples, beans, citrus fruits, cotton, dairy products, figs, and grain, grass seed, honey, livestock, poultry and eggs, grapes and raisins, rice, sour cherries, tobacco, wheat, and wool and mohair have received financial assistance from

the board.

Most of those loans have been made to enable the associations to make bigger advances to their members than is practical under ordinary credit conditions. Loans have also been made to enable co-ops to acquire plants and other physical facilities they needed to do their job right and render more effective service to their members.

An increasingly important part of the program of the Federal Farm Board, is to get to co-op members a knowledge of the best production and marketing practices, so they can better fit their supply to the market demand.

The Federal Farm Board, Mr. McKay says, regards its task as primarily one of helping farmers build the most efficient marketing machinery that can be devised.

